

Message Text

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ACTION NEA-12

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R 250725Z FEB 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9878

INFO USDOC

AMEMBASSY BANGKOK

AMEMBASSY ISLAMABAD

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY SINGAPORE

AMCONSUL KARACHI

AMCONSUL LAHORE

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: ECON, IN

SUBJECT: FISCAL YEAR 1975 COUNTRY COMMERCIAL PROGRAM (CCP)

REF: STATE 6882; NEW DELHI 2024

SUMMARY: THE EMBASSY, IN CONSULTATION WITH THE BOMBAY, CALCUTTA AND MADRAS CONSULATES, SUBMITS THE FOLLOWING COMMENTS AND RECOMMENDATIONS FOR THE FISCAL YEAR 1975 COUNTRY COMMERCIAL PROGRAM (CCP). DESPITE DIFFICULT ECONOMIC CONDITIONS WE SEE GOOD SALES AND INVESTMENT OPPORTUNITIES. WE RECOMMEND AND ENHANCE COMMERCIAL PROGRAM IN ORDER TO TAKE ADVANTAGE OF THESE OPPORTUNITIES.
END SUMMARY.

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1. THE EMBASSY AND THE THREE CONSULATE GENERALS HAVE REVIEWED THE CURRENT ECONOMIC CONDITIONS IN INDIA AND HOW THEY AFFECT THE PROSPECTS FOR EXPANDING U.S. EXPORTS TO INDIA. WHILE 1973 WAS PROBABLY A RECORD YEAR FOR US COMMERCIAL EXPORTS TO INDIA (OVER DOLS 500 MILLION) WE RECOGNIZE THAT 1974 WILL POSE NEW PROBLEMS. WE HAVE HELD MANY INFORMAL DISCUSSIONS WITH INDIAN OFFICIALS IN THE MINISTRIES OF COMMERCE, INDUSTRIAL DEVELOPMENT, PETROLEUM AND CHEMICALS, AND STEEL AND MINES AS WELL AS WITH THE STATE TRADING CORPORATION AND THE INDIAN INVESTMENT CENTRE. IN ADDITION TO THE ABOVE, TRADE DEVELOPMENT HAS BEEN DISCUSSED WITH THE INDO-AMERICAN CHAMBER OF COMMERCE, BUSINESS LEADERS IN OTHER INDIAN COMMERCIAL OR INDUSTRIAL ASSOCIATIONS AND WITH SELECTED INDIAN AND AMERICAN BANKERS, INDUSTRIALISTS AND OTHER BUSINESSMEN. THESE DISCUSSIONS REVEALED WIDE SPREAD UNEASINESS OR ANXIETY OVER INDIA'S CAPABILITY TO MAINTAIN REASONABLE ECONOMIC PROGRESS DURING THE CURRENT CALENDAR YEAR. PRACTICALLY EVERY SOURCE CONTRACTED BELIEVED THAT THE VASTLY INCREASED OIL BILL WILL SHARPLY UNBALANCE INDIA'S TRADE. ALTHOUGH EXPORTS ARE DOING SURPRISINGLY WELL--UP 20 PERCENT IN VALUE OVER THE PAST YEARS--NONETHELESS THEY WILL NOT COVER THE INCREASED OIL BILL, AND INDIA'S ECONOMIC POLICY MAKERS MAY BE EXPECTED TO LIMIT IMPORTS TO CONSERVE FOREIGN EXCHANGE. AS A RESULT, FREE FOREIGN EXCHANGE ALLOCATIONS WILL BE HARDER TO OBTAIN THAN HERETOFORE AND IMPORTS, INCLUDING IMPORTS FROM THE USA, WILL INEVITABLY BE ADVERSELY AFFECTED.

2. WE ACCEPT THE VALIDITY OF THESE CONCLUSIONS AND ANTICIPATE THAT INCREASED EXPORTS WILL REQUIRE CONSIDERABLE INGENUITY AND INITIATIVE, PARTICULARLY IN THE FIELD OF FINANCING. WE HAVE THEREFORE FOCUSED OUR MARKET RESEARCH ON SPECIFIC PRODUCT CATEGORIES THAT OFFER RELATIVELY REASONABLE PROSPECTS FOR U.S. TRADE PROMOTION ACTIVITIES BECAUSE THE GOI IS GIVING THE INDUSTRIES INVOLVED PRIORITY CONSIDERATION IN ITS PLANNING AND DEVELOPMENT PROGRAMS.

3. RECOMMENDATIONS FOR MARKET IDENTIFICATION STUDIES
IN ADDITION TO THE MARKET IDENTIFICATION STUDIES NOW UNDER PREPARATION (SEEUSDOC 19154, DECEMBER 11, 1973; USDOC 19833, DECEMBER 27, 1973) WE RECOMMEND THE FOLLOWING FOR THE DEPARTMENT'S CONSIDERATION:

A) SPECIALIZED CHEMICAL PLANT MACHINERY AND EQUIPMENT-
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WITH SPECIAL EMPHASIS ON MACHINERY FOR COAL-BASED FERTILIZER PLANTS, HEAT EXCHANGE VACUUM PRECIPITATORS AND MACHINERY FOR THE PROCESSING OF INORGANIC CHEMICALS.
B) LEATHER FINISHING AND RELATED MACHINERY AND EQUIPMENT.
C) MACHINERY FOR THE PULP AND PAPER INDUSTRY.
D) AIR TRAFFIC CONTROL EQUIPMENT.

4. THE EMBASSY IS ALSO PLEASED TO REPORT THAT A MARKET IDENTIFI-

CATION STUDY ON SELECTED CHEMICALS, VOLUNTARILY UNDERTAKEN BY A MEMBER OF OUR COMMERCIAL STAFF, OFFERS PROMISING SALES PROSPECTS FOR U.S. PRODUCTS. WE WILL SUBMIT THIS REPORT AND REQUEST THAT THE U.S. INDUSTRY BE ASKED TO COMMENT. IF THEIR REACTION IS FAVORABLE THE DEPARTMENT MAY WISH TO CONSIDER A TRADE MISSION TO PROMOTE SAME IN FY 1975.

5. TRADE MISSIONS:

IN VIEW OF THE SUCCESSES ACHIEVED TO DATE BY DEPARTMENT OF COMMERCE SPONSORED TRADE MISSIONS, THE EMBASSY AND THE CONSULATES GENERAL WOULD WELCOME AN ACTIVE CONTINUATION OF THIS TRADE PROMOTION ACTIVITY. E ASSUME THAT MOST OF THE MARKET IDENTIFICATION STUDIES NOW UNDER WAY WILL RESULT IN RECOMMENDATIONS FOR EITHER TRADE MISSIONS OR, AT THE VERY LEAST, CATALOGUE SHOWS TO SUPPLEMENT THOSE ALREADY RECOMMENDED IN NEW DELHI'S 9461, AUGUST 14, 1973.

6. WE RECOGNIZE THAT INDIA ALONE MAY NOT WARRANT AN EXPENSIVE TRADE MISSION BUT WE TRUST THAT NEIGHBORING POSTS IN PAKISTAN, IRAN OR THAILAND CAN ALSO BE BROUGHT INTO THE PICTURE AND THUS PROVIDE SOMEWHAT MORE ATTRACTIVE PROSPECTS FOR TRADE MISSIONS TO SOUTHERN ASIA.

7. WE WOULD ALSO VERY MUCH LIKE TO SEE AN EXPORT-IMPORT BANK PARTICIPANT IN ONE OF OUR TRADE MISSIONS. THE PRESENCE OF A BANK REPRESENTATIVE COULD BE PARTICULARLY HELPFUL IF THE PRINCIPAL END-USERS OR PURCHASERS IN INDIA ARE GOVERNMENTAL BODIES (E.G. THE STATE TRADING CORPORATION) OR PUBLIC SECTOR FIRMS. NEW FINANCING TECHNIQUES INCLUDING PERHAPS VENTURES OF BARTER ARRANGEMENTS, SWITCH AND REVERSE SWITCH TRADING ETC., WILL ALL HAVE TO BE CONSIDERED. MOYNIHAN

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8. THE DEPARTMENT MAY ALSO WISH TO CONSIDER THE FEASIBILITY OF FORMING SMALL TRADE MISSIONS FROM AMERICAN BUSINESSMEN PARTICIPATING IN U.S. SPONSORED TRADE FAIRS OR TRADE CENTER SHOWS BEING HELD IN JAPAN OR SINGAPORE. THE PARTICIPANTS FOR SUCH TRADE MISSIONS WOULD ALREADY BE IN THE FAR EAST SO TRAVEL COSTS COULD BE REDUCED SUBSTANTIALLY. THE EMBASSY WOULD BE WILLING TO UNDERTAKE AN ABBREVIATED MARKET IDENTIFICATION STUDY ON A CRASH PROGRAM BASIS TO ASCERTAIN WHETHER OR NOT A SPECIFIC TRADE MISSION OF THIS TYPE WOULD BE WARRANTED. WE RECOGNIZE THAT THIS APPROACH WOULD BE NOVEL AND PRESENT SOME RISKS BUT WE WOULD NEVERTHELESS WELCOME THE OPPORTUNITY TO HELP TEST THE TECHNIQUE TO THE EXTENT THAT OUR LIMITED STAFF CAN BACKSTOP SUCH MISSIONS.

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9. CATALOGUE SHOWS:
THE EMBASSY AND THE CONSULATES GENERAL APPRECIATE THAT CATALOGUE SHOWS ARE A MINOR EXPORT PROMOTION TOOL BUT EXPERIENCE HAS SHOWN THAT IN INDIA AT LEAST THEY HAVE LED TO SUBSEQUENT SALES, SOME OF THEM SUBSTANTIAL. THEY ALSO PROVIDE US WITH OPPORTUNITIES TO VISIT OTLYING INDUSTRIAL CENTERS AND THUS EXPAND OUR TRADE CONTACTS AND GENERATE TRADE OPPORTUNITIES IN PERIPHERAL MARKETS. WE BELIEVE WE HAVE SHOWN WE CAN PROMOTE THE CATALOGUE SHOWS THROUGH OUR OWN RESOURCES AND THUS CONTINUE TO SAVE THE DEPARTMENT THE CONSIDERABLE COSTS INCURRED IN SENDING SPECIALISTS TO INDIA. WITH OUR PRESENT STAFFING PATTERNS WE CAN ACCOMMODATE UP TO FOUR CATALOGUE SHOWS IN FY 1975 AND, DEPENDING UPON THE PRODUCT CATEGORIES, COULD PROBABLY PROMOTE THESE IN ABOUT A DOZEN DIFFERENT CITIES.

10. IN ADDITION TO CATALOGUE SHOW THEMES ALREADY UNDER CONSIDERATION WE RECOMMEND SHOWS ON MOTOR VEHICLE SAFETY EQUIPMENT AND ON THE COMMERCIAL FOOD CATERING EQUIPMENT.

11. NON-SCHEDULED ACTIVITIES:

WE BELIEVE THAT A NUMBER OF PRODUCT CATEGORIES, WHICH DO NOT LEND THEMSELVES TO PROGRAMMED ACTIVITIES, NEVERTHELESS OFFER EXCELLENT PROSPECTS FOR SIGNIFICANT U.S. EXPORT SALES TO INDIA. THE MOST IMPORTANT OF THESE INVOLVE THE SALE OF CEREAL GRAINS, MILITARY EQUIPMENT OF A NON-LETHAL CHARACTER AND COMMERCIAL AIRCRAFT.

12. PERHAPS EQUALLY IMPORTANT TO THE ABOVE, THE EMBASSY EXPECTS A BREAKTHROUGH IN THE SALE OF OIL EXPLORATION MACHINERY AND EQUIPMENT. WE EXPECT THAT THE CHANGED ECONOMIC SITUATION IN INDIA AND THE GENERAL IMPROVEMENT IN US-INDIAN RELATIONS MAY LEAD TO A MUCH MORE ACTIVE ROLE FOR AMERICAN COMPANIES IN OFF-SHORE EXPLORATION. WE ARE PREPARED TO EXPLOIT THIS BREAKTHROUGH. SOME READJUSTMENT OF OUR WORKLOAD ASSIGNMENTS WILL BE NECESSARY BUT WE WILL MEET THAT PROBLEM AS AND WHEN IT OCCURS. IN THE INTERIM WE HAVE ALREADY ELIMINATED MARGINAL ACTIVITIES AND BELIEVE THERE IS VERY LITTLE IF ANY FLEXIBILITY LEFT TO REDUCE LOWER-PRIORITY WORKLOADS AT THE EMBASSY OR ANY OF THE CONSTITUENT POSTS AS OUR STAFFING LIMITATIONS COMPELLED US TO DO SO DURING THE PAST YEAR.

13. ALL ELEMENTS OF THE EMBASSY, FROM THE AMBASSADOR ON DOWN,
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ARE ACTIVELY ENGAGED IN PROMOTING THE RANGE OF US COMMERCIAL INTERESTS, INCLUDING SUPPORTING THE SALE OF US PRODUCTS. COORDINATION HAS BEEN GOOD AND ALL SECTIONS ARE PROVIDING FULL COOPERATION AND SUPPORT TO ONE ANOTHER.

14. THESE TRADE PROMOTION ACTIVITIES ARE BEING HANDLED ON AN AD-HOC BASIS AND EXPERIENCE HAS SHOWN THIS IS THE MOST EFFECTIVE WAY OF DOING SO.

15. FINALLY, DUE CONSIDERATION SHOULD BE ACCORDED TO THE FACT THAT THE MISSION PLAYS AN INCREASINGLY ACTIVE ROLE WHERE US INVESTMENTS IN INDIA ARE CONCERNED. THE INDIAN MARKET OFFERS ESPECIALLY ATTRACTIVE RETURNS IN SPECIFIC INDUSTRIAL CATEGORIES AND A SUBSTANTIAL NUMBER OF AMERICAN FIRMS ARE INTERESTED IN ENTERING THROUGH JOINT VENTURE INVESTMENTS OR LICENSING. ALTHOUGH ENTERPRISES OF THIS TYPE OFTEN SHOW GREAT PROMISE THE INVESTMENT PROCEDURES ARE COMPLEX AND THE LEGISLATION PERTAINING TO THEM IS AMBIGUOUS. WE TREAT EACH CASE ON ITS OWN MERITS AS THERE ARE NO STEREOTYPED TECHNIQUES OR UNIFORM RULES. CONSEQUENTLY, WE ARE OBLIGED TO SPEND A SUBSTANTIAL AMOUNT OF TIME IN ATTENDING TO THE NEEDS OF AMERICAN VISITORS INVESTIGATING INVESTMENT PROSPECTS. IN RECENT YEARS, NEW US INVESTMENT IN INDIA HAD BEEN SMALL. THIS SITUATION HAS CHANGED AND WE WILL CONTINUE TO SUPPORT INDIVIDUAL INVESTMENT INITIATIVES, WITH THE TRADE THEY CONTAIN, TO THE EXTENT THAT THESE COMPANIES SEEK OR HELP.

16. USIS SUPPORT:

THE MISSION HAS ENJOYED EXCELLENT SUPPORT FROM USIS PERSONNEL
IN ALL OF ITS TRADE PROMOTION ACTIVITIES. WE EXPECT TO
RECEIVE THE SAME WILLING COOPERATION IN ALL OF OUR COMMERCIAL
UNDERTAKINGS DURING FY 1975.MOYNIHAN

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